

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

Gang Chen ,

Case No. 1:20-cv-09232MKV-SDA

Plaintiff

vs.

AMENDED COMPLAINT

China Green Agriculture, Inc.,

ALLEGING SECURITIES FRAUD

Zhuoyu Li, Yongcheng Yang, Daqing Zhu,

Kabani & Company, Inc, KSP Group, Inc.

ABDUL HAMID KABANI,

JURY TRIAL DEMANDED

JASLYN HUYNH AKA JASLYN SELLERS,

Defendants

NATURE OF ACTION

1 Plaintiff, Gang Chen, in the above styled cause, sue defendants: China Green Ag-
2 riculture, Inc. (“CGA”), Zhuoyu Li(“Li”),Yongcheng Yang(“Yang”).

DaqingZhu(“Zhu”), Kabani & Company, Inc. (“K&C”), , KSP Group, Inc. (“KSP”), Abudul Hamid kabani(“Kabani”) and Jaslyn Sellers(“Sellers”). This action is filed under Sections 10(a) (b), 20(a) and 21B(b)(3) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 there under 17 CFR 240.10b-5 against defendants for engaging in a Fraudulent Financial statement scheme, for the period between fiscal year 2016 and June, 2020, which has caused Plaintiff’s realized loss of approximate \$1.25million. Defendants’ main scheme is intentionally caused and filed with SEC fraudulent statements of material information in the company quarterly and annual financial reports with fake revenue, inventories, shipment volume, Income taxes, cash reserves and other financial data supported by fraudulent audit reports.

2 Plaintiff seeks recover of actual damages of \$1.25 million from Defendants and extra \$500,000 or more from CGA and \$100,000 from each individual defendants of punitive damage for the fraud.

3

JURISDICTION AND VENUE

4 This Court has subject-matter jurisdiction over this action pursuant to Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(e) & 78aa(a)

1 8 Among the three major subsidiaries, Gufeng is a main contributor of sales and in-
2 come to CGA. According to last 3 years CGA annual reports: in 2017, the whole
3 company net sales total: \$285,213,040, Gufeng sales \$104,446,239, account 37%;
4 2018 net sales total: \$287,053,530, Gufeng sales \$112,983,573, account 39%;
5 2019, net sales total: \$294,320,803, Gufeng \$136,285,236, account 46%. So, on
6 average Gufeng's contribution to total sales is 41%. As for the income, 2017 the
7 whole company operation income \$31,977,771, Gufeng \$8,286,761, account
8 26%; 2018 total operation income: \$29,801,787, Gufeng \$10,151,272, account
9 34%; In 2019, total operation income: \$18,804,748, Gufeng \$14,076,655 account
10 74%. Therefore, on average Gufeng's contribution to company's total income is
11 45%. Therefore, Gufeng's financial data is very significant: if Gufeng's data is
12 fraudulent, a logical reasoning would be that the whole financial reports are 100%
13 fraudulent. Therefore, Plaintiff concentrates most investigation on Gufeng.
14 Gufeng is also Plaintiff's main focus in the complaint.

15 9 CGA had been kept filing quarter and annual reports with SEC during the rele-
16 vant period. However, all the reports are false and misleading.

17 10 CGA ceased investor relation activities in 2018 and, as of May 2020, has not held
18 any earning call for 10 quarters.

19 11 CGA made 3 times of Private Placements during the period of from April 25,
20 2019 through August 16 2019, totally issued 13,922,000 shares at \$1 each. Book
21 value was \$10.20 then, the discount was about 90% to the book value.

1 12 CGA made a reverse stock split of the Company's Common Stock at a ratio of 1-
2 for-12 on June 28, 2019 due to the stock price before reverse-split long time had
3 been trading below \$1 minimum required for continuing listing.

4 13 Because their deceptive financial statements and suspicious business behaviors,
5 American investment public completely lost their trust to CGA and the stock
6 price had kept dropping from \$19.20, the highest close price of the relevant peri-
7 od, in first week of January, 2018 to the lowest \$1.84 on March 9, 2020; it was
8 trading around \$2.60 at first week of June 2020 when Plaintiff initiated the legal
9 action. Plaintiff are seriously economically damaged.

10 14 Defendant Zhuoyu Li is CEO and chairman of the board of directors since 2017,
11 president since 2016.

12 15 Defendant Yongcheng Yang is chief financial officer since 2017 and Vice Presi-
13 dent of Finance since 2016.

14 16 Defendant Daqing Zhu is Director and Chairman of Audit Committee of the
15 Board.

16 17 Defendants Li, Yang and Zhu are collectively referred to hereinafter "Individual
17 Defendants."

18 18 The Individual Defendants, because of their positions with CGA, possessed the
19 power and authority to control the contents of the Company's reports to the SEC,
20 press releases, and presentations to investors. Each of the individual defendants
21 was provided with copies of the Company's reports and press releases alleged

1 herein to be misleading prior to, or shortly after their issuance and had the ability
2 and opportunity to prevent their issuance or cause them to be corrected. Because
3 of their positions and access to material non-public information available to them,
4 each of the Individual defendants knew that the adverse facts specified below had
5 not been disclosed to, and were being concealed from the public.

6 19 Defendant K&C, located at Los Angeles, had been CGA's auditor since January,
7 2008 for 9 years until resigned April 19, 2017 because PCAOB revoked its li-
8 cense March 10, 2017 for Fraud auditing. K&C did the audits on the two financial
9 statements (Annual report 2016 and 1st quarter report 2017) those are first bunch
10 of fake financial statements in the relevant period. Plaintiff read and to be se-
11 duced to start investing activities on CGA stock.

12 20 Defendant KSP is located at Los Angeles as well and sharing the same office with
13 K&C. It replaced the resigned K&C. KSP's registered agent was Zeeshan Kabani,
14 who is a lawyer and son of Kabani. It was CGA's auditor from April 20, 2017
15 through February 2020 when it resigned. It audited all the rest of 14 financial
16 statements in the relevant period.

17 21 Defendant HAMID KABANI is the owner of K&C and also the actual controller
18 of KSP. Only until November 25, 2019, KSP's registered agent was changed to
19 Jaslyn Sellers.

20 22 Defendant Seller was Audit Director of KSP. But basically an employee of
21 Kabani, Sellers worked with K&C From between May 2006 to November 2015

as from a receptionist to an Audit Manager; and later worked with KSP as Audit Director from March 2017 through November 25 2019 when She finally changed the registration of KSP and she became the master of the company. All the audits by KSP were signed by Seller as she is the only licensed CPA with KSP.

Defendants K&C, KSP, Kabani and Sellers are collectively referred to hereafter “auditor Defendants”

CGA’S FIINANCIAL STATEMENT ARE MATERIALLY FRAUDULENT AND MISLEADING

Throughout the relevant period, CGA issued various press releases, SEC filings, financial reports and other statements. Although almost all their statements are fraudulent, this complaint will focus on CGA’s annual and quarterly reports. Plaintiff will allege sufficient facts related to selected reports to plausibly implicate why all CGA’s 4 annual reports (10-K) and 12 quarterly reports (10-Q) filed during the relevant period are materially fraudulent and misleading.

ALLEGATION 1: GUFENG’S REVENUES ARE FRAUDULENT.

Among the various financial elements, revenue is the most critical therefore called “top line” as the revenue directly reflects an entity’s business and production activity. Without revenue all the other of data including income, called “bottom line”, will not even exist and if revenue is wrong logically all the other data would be wrong. In CGA’s financial reports, defendant clearly defines “Revenue

1 recognition”: “Sales revenue is recognized at the date of shipment to customers”.

2 Therefore, to verify the revenue general accuracy, the most straight forward and
3 simple way is to stand by the factory gate counting the number of shipping trucks
4 in-out for estimated shipping volume. Plaintiff adapted such procedures which
5 performed by himself, his friend and an engaged local resident.

6 26 Gufeng factory is located about 40 miles of east to Beijing. Plaintiff personally
7 visited three times.

8 27 First trip to China. Plaintiff was attending CGA’s annual meeting in June 2018.

9 Before Plaintiff went to the annual meeting at CGA’s headquarter office in Xi’an
10 China, Plaintiff requested CGA twice by emails for permission of site visiting to
11 Gufeng factory. CGA did not respond my first request of email of May 15,2018.
12 Later, CGA responded to my 2nd email, while still ignoring my visiting Gufengt
13 request, saying they would arrange me to visit their 2 subsidiaries, Jinong and
14 Yuxing, in Xi’an area when attending the annual meeting. However, Plaintiff still
15 eager to visiting Gufeng. He visited Gufeng anyway on May23, by just viewing
16 from outside. He stayed there for 2 hours and only saw 2 trucks parked outside
17 factory waiting for loading when shipment ready. During the meeting, I asked
18 defendant Li again in person for visiting Gufeng. Li told me the factory was in the
19 maintenance period at that time and it would resume normal production by end of
20 June and He promised to arrange the site visit for me then. However, later in July
21 16 when I requested for the real visit to Gufeng, no one responded my email re-

1 quest anymore. Without their permission, Plaintiff visited the site anyway on July
2 20. However I was still only able viewing from outside of the factory. I stayed
3 outside for 2 hours, did not see any truck there. Plaintiff optimistically assumed
4 the scheduled maintenance had not finished.

5 28 Between May and July 2018, as stated above, I requested visiting Gufeng 4 times
6 and did not get any permission, even though Defendant Li personally promised to
7 arrange it.

8 29 Second trip. , at that time, Plaintiff had suspected Defendants and knew they will
9 block my visit to Gufeng. Therefore, Plaintiff visited Gufeng factory before noon
10 on March 27 without contacting Defendants. During the 3 hours visit, I saw 2
11 trucks. One was waiting outside and another one was loading by a warehouse in-
12 side the factory. The exit gate was permanently sealed.

13 30 Plaintiff also sent a friend to observe the factory on Oct 18, 2019. During his 3
14 hours stay, He did not see any truck. He videoed on site.

15 31 The most valuable and effective monitoring was from a local observer who was
16 able to watch the factory every day.

17 32 Plaintiff also had phone conversations with four of former and current Gufeng
18 workers including a bookkeeper.

19 33 Then Plaintiff got confirmation, all the sold and shipped fertilizer tonnage of
20 Gufeng listed in each and every quarterly and annual report officially filed with
21 SEC are false and intentionally for misleading purpose.

34 . The result is shocking.

35 Below are two tables copied from CGA's annual reports shows metric tons ferti-
 36 lizer sold by Gufeng and revenue per ton for the relevant period.

Below is a table that shows the metric tons of fertilizer sold by Jinong and Gufeng and the revenue per ton for the periods indicated:

	Year Ended June 30,		Change 2018 to 2019	
	2019	2018	Amount	%
	(metric tons)			
Jinong	65,219	47,487	17,732	37.3%
Gufeng	389,544	308,098	81,446	26.4%
	<u>454,763</u>	<u>355,585</u>	<u>99,178</u>	<u>27.9%</u>
	Year Ended June 30,			
	2019	2018		
	(revenue per tons)			
Jinong	\$ 1,214	2,123		
Gufeng	356	377		

For the fiscal year ended June 30, 2019, we sold approximately 454,763 metric tons of fertilizer products, as compared to 355,585 metric tons for the fiscal year ended June 30, 2018. For the fiscal year ended June 30, 2019, Jinong sold approximately 65,219 metric tons of fertilizer products, as compared to 47,487 metric tons for the fiscal year ended June 30, 2018. For the fiscal year ended June 30, 2019, Gufeng sold approximately 389,544 metric tons of fertilizer products, as compared to 308,098 metric tons for the fiscal year ended June 30, 2018.

Below is a table that shows the metric tons of fertilizer sold by Jinong and Gufeng and the revenue per ton for the periods indicated:

	Year Ended June 30,		Change 2016 to 2017	
	2017	2016	Amount	%
	(metric tons)			
Jinong	51,506	55,259	(3,753)	(7.3)%
Gufeng	309,882	358,374	(48,492)	(15.6)%
	<u>361,388</u>	<u>413,633</u>	<u>(52,245)</u>	
	Year Ended June 30,			
	2017	2016		
	(revenue per tons)			
Jinong	\$ 2,070	2,275		
Gufeng	337	376		

For the fiscal year ended June 30, 2017, we sold approximately 361,388 metric tons of fertilizer products, as compared to 413,633 metric tons for the fiscal year ended June 30, 2016. For the fiscal year ended June 30, 2017, Jinong sold approximately 51,506 metric tons of fertilizer products, as compared to 55,259 metric tons for the fiscal year ended June 30, 2016. For the fiscal year ended June 30, 2017, Gufeng sold approximately 309,882 metric tons of fertilizer products, as compared to 358,374 metric tons for the fiscal year ended June 30, 2016.

1 36 According to the above data, Gufeng sold approximately 389,544 metric tons of
2 fertilizer products in 2019; 308,098 metric tons in 2018; 309,882 metric tons in
3 2017. 358,374 metric tons in 2016. Therefore, averagely yearly shipment is about
4 341,374 metric tons.

5 37 This number is only for finished products sold. To make the products, at least the
6 same amount raw materials are needed and shipped in. Therefore, 341,374 times
7 2, shipping volume in and out together totally should be 682,949 metric tons. If
8 300 days are normal working days a year, 682,949 is divided by 300 days, each
9 working day should be 2,238 metric tons shipment passing through the entrance
10 of the factory. Suppose average load capacity of each truck is 30 metric tons. It is
11 very reasonable because heavy truck is able to carry 40 tons and light truck less
12 than 10 tons from small farmers, who brought their own raw materials to let
13 Gufeng for processing and recent 4 years most trucks seen from those small farm-
14 ers. Therefore, we can expect at least 75 trucks passing the entrance gate.

15 38 However, the truth is during the relevant period, based on the local observer esti-
16 mates, average traffic in-out traffic has been less than 2 trucks a day. Sometime,
17 not even 5 truck a week. Therefore, only by counting the trucks, The confirmed
18 result is defendants inflated the revenue of Gufeng factory over 30 times (75/2).

19 39 The factory has two gates: the main entrance for trucks enters and another gate
20 for trucks exit. Because very few truck traffic, the factory even permanently
21 sealed the exit gate to save a little salary for gate keeper for the exit gate. Refer

the pictures below taken by Plaintiff. One showing exit gate before sealed was taken in 2018 another after sealed was taken in 2019. The local observer recalled when the business was good 10 years ago, the trucks waiting to enter the factory always formed half-mile long line.





1
2 41 Because the factory production activity is almost stalled, there are very few em-
3 ployees working inside the factory. Total people inside are less than 30, and most
4 of them office personnel, very few production line workers. The local observer
5 told the Plaintiff when the factory had very good business 10 years ago, the facto-
6 ry needed about 300 workers with 2 shifts. The factory is not equipped with a
7 modern automatic production line therefore heavily rely on enough labors for
8 normal production.

9 42 Now Plaintiff has shown how intentionally CGA blatantly fabricated Gufeng's
10 shipment data or revenue data with scienter.

11 12 **ALLEGATION 2: GUFENG'S INVENTORIES ARE FRAUDULENT**

13 43 During the relevant period, CGA's annual (10K) and quarterly (10Q) report listed
14 inventory amount:

15 Gufeng Inventory data shown in relevant period

	Report 1st quarter 10q	2nd quarter 10q	3rd quarter 10q	Annual report 10k
2016	\$86,243,536.00	\$129,195,214.00	\$88,450,367.00	\$60,183,741.00
2017	\$51,647,180.00	\$38,703,152.00	\$19,873,778.00	\$54,444,465.00
2018	no show	no show	no show	\$31,617,519.00
2019	\$64,037,393.00	\$86,710,252.00	\$108,304,666.00	\$141,210,160.00
2020	\$125,956,806.00	\$91,994,547.00		

CGA defines “Inventory is valued at the lower of cost (determined on a weighted average basis) or market. Inventories consist of raw materials; work in process, finished goods and packaging materials.

The inventory number is extremely unreasonable. For example, we choose a small inventory number listed in the 2017 annual report and also choose the finished product revenue price \$337/ton listed in the same report. As defined by CGA about half inventories are finished product at market price \$337/ton, another half portion mainly is raw materials price should reasonable cheaper. However to be safe, we just divide total inventory value of \$54,444,465 by \$337. Now we got 161,555 tons inventory. Theoretically, size of one ton of fertilizer should be about one cubic meter. The volume should be 161,555 cubic meters.

As CGA states “Through Gufeng and Tianjuyuan, we own an additional 17,930 square meters (approximately 192,997 square feet) of manufacturing, office and



Keba Gufeng Chemical Industry

No ratings or reviews

Chemical plant



Directions



Call



Saved



Share

warehouse space.” If we deduct 2,930 square meter of manufacturing, office space, total warehouse space of Gufeng will be 15,000 square meter. Then deducting working area for stacker trucks, usable for storage space left will be less than 12,000 square meters. How to fit 161,555 cubic meter inventory staff onto the 12,000 square meter space? $161,555/12,000$, a basic calculation result is the inside of warehouses has to be 13 meter high. However, warehouse itself from ground to the roof is less than 5 meters high. Refer the picture comparing the heights of the white simple building left by exit gate with the right

warehouse cross. To the most, the warehouse is just half story higher than the first story (less then 3 meter) of the simple building. Besides, finished products cannot just be stacked top each other. They have to be packed in 50kg bags stacked up on pallets. The pallets also occupy space. Realistically the max height of stacks is 5 meter with pallets. If 161,555 cubic meter inventory of \$54,444,465 absolutely do not fit inside Gufeng's limited warehouse space, how can fit the inventory of \$141,210,160.00, the number shown in the 2019 annual report?

Therefore, Gufeng's inventory number is complete fake. The inventory does not even exist. In fact, when Plaintiff visited the factory, he already saw through the exit gate, all the warehouses on sight were almost empty with only several pallets there! Please refer the picture of "exit gate before sealed". China Green's financial statements are materially false and/or misleading.

As Plaintiff contends in the Allegation 1, "Without revenue all the other of data, like income and etc, would not exist". Because all the revenue numbers in CGA's financial reports are a sheer fabrication out of nothing, all their income numbers are also completely fake. However to make all the fake income number logically deceivable, Defendants have to forge related income tax paid in China., Below table shows Gufeng Income Tax :

Gufeng	Annual Income	Income Tax	Revenue
2016	13,952,983.00	3,779,145.00	134,661,420.00

2017	8,286,761.00	2,148,326.00	104,446,239.00
2018	10,151,272.00	2,471,593.00	112,983,573.00
2019	14,076,655.00	3,482,862.00	136,285,236.00

1

2 49 Alll the numbers are true? CGA and all individual Defendants know they true or

3 not. Plaintiff knows also. Plaintiff 's assertion is not purely by logical inference

4 from fake revenue then from fake income tax, but based solid evidence.

5 50 For example, Gufeng paid \$3,482,862 for income tax on the annual report. But,

6 they actually did not pay any income tax because they reported a loss and it is in-

7 deed, that they did get a huge loss.

8 51 They inflated income tax for three reasons: 1) coordinated with the fake numbers

9 of income; 2) to offset the deferred income tax or repatriated tax obligation to

10 IRS; as a corporation in US, it is obligated to pay income tax on the income from

11 any country in the world after deducting credit of tax paid to local county; 3) they

12 can use this item to steal any amount money from the book. No one even is able

13 to prove because Chinese law prohibit releasing this kind of information out of

14 the country unless through SEC and China SEC.

15

16 **ALLEGATION 4: CGA'S CASH & EQUIVALENT IS FRAUDULEN**

17 52 This allegation is not for Gufeng for CGA as a whole company.

Each of CGA's Annual and quarterly report contained the data of Cash and cash equivalents and they consider all cash on hand and in banks, certificates of deposit and other highly-liquid investments with maturities of three months or less, when purchased, to be cash and cash equivalents. Below is the table, basically copied from CGA's annuals reports.

CGA cash flows for the periods, year ended June 30.

	2019	2018	2017	2016
Net cash provided by operating activities	(71,410,847)	28,137,537	16,302,049	34,358,655
Net cash provided by (used in) investing activities	(47,395)	(63,746)	(402,067)	689,545
Net cash provided by (used in) financing activities	7,761,950	(2,835,464)	3,393,065	(17,102,600)
Exchange rate change on cash and cash equivalents	(14,849,542)	2,535,774	861,015	(8,031,678)
Net increase (decrease) in cash and cash equivalents	(78,545,834)	27,774,102	20,154,062	9,913,922
Cash and cash equivalents, beginning balance	150,805,639	123,031,537	102,896,486	92,982,564
Cash and cash equivalents, ending balance	72,259,804	150,805,639	123,050,548	102,896,486

According the above data, CGA has tremendous cash and cash equivalents. However they were false and misleading because the reported cash simply did not even exists.

First, As mentioned in Allegation 1, revenue is the most critical element which directly reflects an entity's business activity. if revenue is wrong logically all the other data should be wrong. Therefore, without listing more factual evidences, only by logically inferring, people already are very sure that CGA's cash and cash equivalent numbers are fraudulent. However, following facts will further prove the logical judgment.

1 56 **Secondly**, The own actions of CGA's management clearly indicated no such cash
2 and cash equivalent on hand. As mentioned in Party section, CGA made 3 times
3 of Private Placements during the period of from April 25, 2019 through August
4 16, 2019. Totally issued 13,922,000 shares at \$1 each. However Before the private
5 placement, As stated in the 2019 3rd quarterly report (ended March 31, 2019),
6 CGA had \$69,242,037 in cash and cash equivalent and \$403,657,917 in share-
7 holders' equity. At that time, total of outstanding shares is 39,546,945. Therefore,
8 CGA has \$1.75 of cash in each share and the book value was \$10.20. The dis-
9 count was about over 90% to book value.

10 57 CGA made a reverse stock split of the Company's Common Stock at a ratio of 1-
11 for-12 on June 28, 2019 due to the stock price before reverse-split long time had
12 been trading below \$1 minimum required for continuing listing.

13 58 In issuing new shares at prices far below what the simple value of cash-on-hand
14 and 90% discount to book value stated in CGA report would imply and provide
15 evidence CGA did not had such cash and also assets were not as they report.

16 59 The only plausible explanations are either the private placement are themselves
17 fraudulent or self-dealing, or CGA's assets were burdened by unreported debt,
18 and the stated cash does not exist to pay the debt. Logical inference would be the
19 cash does not exist.

20 60 **Thirdly and Similarly**, CGA redeemed convertible notes issued prior to the 1:12
21 reverse stock split at a price of approximately \$5/share, despite that fact that it is

1 clear on the face of the convertible note agreement that the per-share price at
2 which the notes were redeemed should have been adjusted for the split. The con-
3 vertible note agreement provides:

- 4 a. The "Convertible Note face value" shall be RMB 100 per note and shall be adjusted for
5 any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse
6 stock split, combination or other like changes in the Company's capital structure.
- 7 b. Further in the SEC Schedule 14A filed June 21, 2019 reporting the adoption of the mer-
8 ger, it clearly states:
- 9 c. All outstanding options, warrants, and convertible securities entitling the holders thereof
10 to purchase shares of common stock, if any, will enable such holders to purchase, upon
11 exercise thereof, fewer of the number of shares of common stock which such holders
12 would have been able to purchase upon exercise thereof immediately preceding the Re-
13 verse Stock Split, at the same total price (but a higher per share price) required to be
14 paid upon exercise thereof immediately preceding the Reverse Stock Split;
- 15 d. Nonetheless, China Green converted the notes at \$5 per share post reverse split. Either
16 CGA falsely reported the terms of the agreement in their filings or CGA chose to con-
17 vert the notes at a price 12 times the agreed upon price. Thus either China Green mate-
18 rially misrepresented the agreement or China Green chose to pay an inflated price be-
19 cause it was beneficial to those in control of the company.
- 20 e. Even if the convertible note agreement had not required adjustment, the same agree-
21 ment provided for China Green to redeem the notes for a cash value of \$5 per share,
22 well below both the reported tangible book value per share and cash per share. Again,
23 the only plausible explanations are fraud and self-dealing. In any case, China Green's
24 financial statements and SEC filings are materially false and/or misleading.
- 25 f. By offering additional equity shares and electing to redeem convertible debt for equity
26 at prices far below the value of the Company's reported cash alone, CGA has effective-
27 ly admitted that its reported cash and cash equivalents, and/or other assets and liabilities
28 of the Company, are materially fabricated in financial statements.
- 29 g.

**AUDIT REPORTS ON CGA'S FIINANCIAL STATEMENT
ARE FRAUDULENT AND MISLEADING**

61 From the above, Plaintiff has alleged sufficient facts to plausibly implicate four of
critical elements in CGA's financial statement are fraudulent therefore we can
confirm all the others data are also wrong and misleading. However, without cov-
er-up from Auditor Defendants those fraudulent reports would not be able to
filed with SEC. As registered public auditors, PCAOB clearly provided complete
professional standard for every auditor to follow. However, Auditor Defendants
just did not follow the proper procedure with good moral. Instead, They chose to
help CGA and individual Defendants committing fraudulent scheme to get Audit-
ing income.

62 Allegation 1 Auditor Defendants deliberately hiding the true relation between
K&C and KSP, both controlled by Kabani.

63 K&C had been hired by CGA as a public auditor for nine years since 2008 until
replaced by KSP in 2017. For the changes, CGA filed report 8-k with SEC with
statement below:

“On April 19, 2017, Kabani & Company, Inc. (“Kabani”) resigned as inde-
pendent registered public accounting firm for China Green Agriculture, Inc

.

On April 20, 2017, the Company engaged KSP Group, Inc. ("KSP") as the
Company's independent registered public accounting firm for the fiscal

1 year ending June 30, 2017. The decision to appoint KSP was approved by
2 the Audit Committee of the Board of Directors.

3 During the two most recent fiscal years ended June 30, 2016 and June 30,
4 2015 and during the subsequent interim period from July 1, 2016 through
5 April 19, 2017, *neither the Company nor anyone on its behalf consulted*
6 *KSP regarding either (i) the application of accounting principles to a*
7 *specified transaction, either completed or proposed, or the type of audit*
8 *opinion that might be rendered on the Company's financial statements,*
9 *and neither a written report nor oral advice was provided to the Company*
10 *that KSP concluded was an important factor considered by the Company*
11 *in reaching a decision as to any accounting, auditing or financial report-*
12 *ing issue, or (ii) any matter that was either the subject of*
13 *a “disagreement” or a “reportable event,”*

14 From the above statement, it seemed that K&C and KSP are two independent,
15 unrelated companies. No, it is not true. And the truth is these two company are
16 still under the control of Kabani:

17 64 On January 22, 2015, K&C got a serious sanction from PCAOB that revoking
18 K&C audit registration , Kabani CPA license and \$100,000 fine unless it ap-

1 pealed



January 22, 2011
Page 1

In light of the sanctions that we find appropriate to impose by summary affirmance, we find it unnecessary to consider, and we set aside the initial decision as it relates to, the other violations charged in the order instituting disciplinary proceedings.

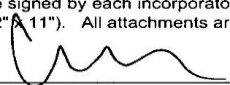
Accordingly, it is ORDERED that:

The registration of Kabani & Company, Inc., is permanently revoked;

Hamid Kabani is permanently barred from being an associated person of a registered public accounting firm, and shall pay a civil money penalty of \$100,000;

2
3 65 The reason of sanction is, According to PCAOB , they "intentionally and know-
4 ingly violated the PCAOB's rules" when they "added or falsified hundreds of au-
5 dit documents; intentionally reset internal computer clocks to conceal that the al-
6 terations were made before applicable deadlines; and backdated their signatures
7 on relevant work papers" in an attempt to "conceal documentation deficiencies" in
8 audit files in advance of a PCAOB inspection. Acting "egregiously," in "deliber-
9 ate disregard" of their regulatory responsibilities, "[t]heir scheme involved several
10 weeks of sustained effort to identify and correct hundreds of deficiencies in mul-
11 tiple issuer files.~' Applicants "harmed the market" and "pose a continuing danger
12 to the investing public."

66 Kabani appealed to SEC. To prepare the possible fail of appeal, Kabani set a new firm immediately at the same office address as but installed his son Zeeshan Kabani, as registered agent. See below:

ARTS-PC	Articles of Incorporation of a Professional Corporation			
<p>To form a professional corporation in California, you can fill out this form or prepare your own document, and submit for filing along with:</p> <ul style="list-style-type: none"> - A \$100 filing fee. - A separate, non-refundable \$15 service fee also must be included, if you drop off the completed form or document. <p>Important! Corporations in California may have to pay a minimum \$800 yearly tax to the California Franchise Tax Board. For more information, go to https://www.ftb.ca.gov.</p> <p>Note: Before submitting the completed form, you should consult with a private attorney for advice about your specific business needs.</p>				
<p>3782644</p> <p>FILED <i>Amo</i> Secretary of State State of California APR 29 2015</p> <p><i>1/2</i></p> <p style="font-size: small;">This Space For Office Use Only</p>				
<p>For questions about this form, go to www.sos.ca.gov/business/be/filing-tips.htm.</p>				
<p>Corporate Name (List the proposed corporate name. Contact the California state board or agency that controls your profession to find out if your profession is authorized to be a corporation in California and if there are any specific corporate name style rules. Go to www.sos.ca.gov/business/be/name-availability.htm for general corporate name requirements and restrictions.)</p> <p>① The name of the corporation is <u>KSP Group, Inc.</u></p>				
<p>Corporate Purpose (List the authorized profession.)</p> <p>② The purpose of the corporation is to engage in the profession of <u>Accountancy</u> and any other lawful activities (other than the banking or trust company business) not prohibited to a corporation engaging in such profession by applicable laws and regulations. This corporation is a professional corporation within the meaning of California Corporations Code section 13400 et seq.</p>				
<p>Service of Process (List a California resident or a California registered corporate agent that agrees to be your initial agent to accept service of process in case your corporation is sued. You may list any adult who lives in California. You may not list your own corporation as the agent. Do not list an address if the agent is a California registered corporate agent as the address for service of process is already on file.)</p> <p>③ a. <u>Zeeshan Kabani</u> <small>Agent's Name</small></p> <p>b. <u>5757 West Century Blvd, Suite 303, Los Angeles, CA 90045</u> <small>Agent's Street Address (if agent is not a corporation) - Do not list a P.O. Box City (no abbreviations) State Zip</small></p>				
<p>Corporate Addresses</p> <p>④ a. <u>5757 West Century Blvd, Suite 303 Los Angeles California 90045</u> <small>Initial Street Address of Corporation - Do not list a P.O. Box City (no abbreviations) State Zip</small></p> <p>b. _____ <small>Initial Mailing Address of Corporation, if different from 4a City (no abbreviations) State Zip</small></p>				
<p>Shares (List the number of shares the corporation is authorized to issue. Note: Before shares of stock are sold or issued, the corporation must comply with the Corporate Securities Law of 1968 administered by the California Department of Business Oversight. For more information, go to www.dbo.ca.gov or call the California Department of Business Oversight at (866) 275-2677.)</p> <p>⑤ This corporation is authorized to issue only one class of shares of stock. The total number of shares which this corporation is authorized to issue is <u>1,000</u>.</p>				
<p>This form must be signed by each incorporator. If you need more space, attach extra pages that are 1-sided and on standard letter-sized paper (8 1/2" x 11"). All attachments are made part of these articles of incorporation.</p>				
<p>  <small>Incorporator - Sign here</small> </p>				
<p><small>LegalZoom.com, Inc. by Cheyenne Moseley, Assistant Secretary</small> <small>Print your name here</small></p>				
<table border="0" style="width: 100%; font-size: small;"> <tr> <td style="width: 33%;"> <p>Make check/money order payable to: Secretary of State Upon filing, we will return one (1) uncertified copy of your filed document for free, and will certify the copy upon request and payment of a \$5 certification fee.</p> </td> <td style="width: 33%; text-align: center;"> <p>By Mail Secretary of State Business Entities, P.O. Box 944260 Sacramento, CA 94244-2600</p> </td> <td style="width: 33%; text-align: center;"> <p>Drop-Off Secretary of State 1500 11th Street, 3rd Floor Sacramento, CA 95814</p> </td> </tr> </table>		<p>Make check/money order payable to: Secretary of State Upon filing, we will return one (1) uncertified copy of your filed document for free, and will certify the copy upon request and payment of a \$5 certification fee.</p>	<p>By Mail Secretary of State Business Entities, P.O. Box 944260 Sacramento, CA 94244-2600</p>	<p>Drop-Off Secretary of State 1500 11th Street, 3rd Floor Sacramento, CA 95814</p>
<p>Make check/money order payable to: Secretary of State Upon filing, we will return one (1) uncertified copy of your filed document for free, and will certify the copy upon request and payment of a \$5 certification fee.</p>	<p>By Mail Secretary of State Business Entities, P.O. Box 944260 Sacramento, CA 94244-2600</p>	<p>Drop-Off Secretary of State 1500 11th Street, 3rd Floor Sacramento, CA 95814</p>		
<p style="font-size: x-small;">Corporations Code §§ 200-202 et seq. and 13400 et seq., Revenue and Taxation Code § 23153. ARTS-PC (REV 03/2014)</p>				
<p style="font-size: x-small;">2014 California Secretary of State www.sos.ca.gov/business/be</p>				

67 On March 10, 2017, SEC sustain the PCAOB's disciplinary action and K&C and Kabani's registration and license revoked permanently by PCAOB same day.



Registration, Annual and Special Reporting

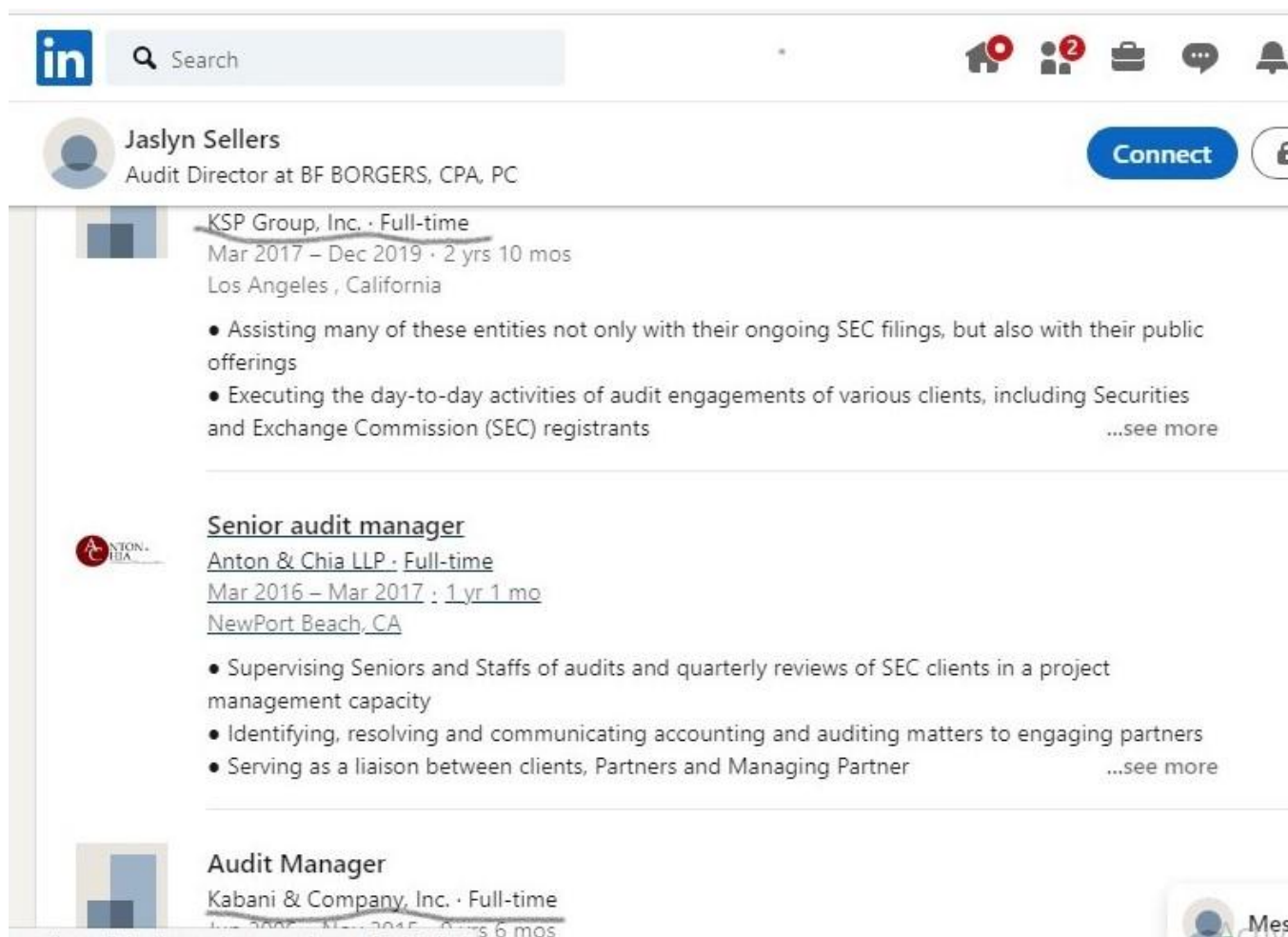
[Home](#) > Firm Summary

Kabani & Company, Inc. (47)

Registration Status:	Registration Revoked
Headquarters Address:	5757 Century Blvd., Suite 303, Los Angeles, CA 90045
Other Names Used in Issuing Audit Reports:	None
Predecessor Firm to Whose Registration the Firm Succeeded:	None
Registration Date:	09/18/2003
Registration Revoked Date:	03/10/2017

Registration

- 1 68
- 2 a. Because K&C lost license, Kabani immediately hired former employee
- 3 Jasly Nuynh back immediately and installed her onto KSP as Auditor Di-
- 4 rector and the only licensed CPA in KSP. Though all the audit reports
- 5 signed by Seller, Kabani is still the boss behind Seller. As Kabani himself
- 6 put it: "Through the years, KABANI mentored Defendant, helped her
- 7 study for and to eventually pass her CPA exams and personally signed her
- 8 license application with the Board of Accountancy in California." . below
- 9 is a resume posted by Seller herself.



LinkedIn profile of Jaslyn Sellers, Audit Director at BF BORGERS, CPA, PC. The profile shows three work experiences:

- KSP Group, Inc. · Full-time**
Mar 2017 – Dec 2019 · 2 yrs 10 mos
Los Angeles, California
 - Assisting many of these entities not only with their ongoing SEC filings, but also with their public offerings
 - Executing the day-to-day activities of audit engagements of various clients, including Securities and Exchange Commission (SEC) registrants
- Senior audit manager**
Anton & Chia LLP · Full-time
Mar 2016 – Mar 2017 · 1 yr 1 mo
NewPort Beach, CA
 - Supervising Seniors and Staffs of audits and quarterly reviews of SEC clients in a project management capacity
 - Identifying, resolving and communicating accounting and auditing matters to engaging partners
 - Serving as a liaison between clients, Partners and Managing Partner
- Audit Manager**
Kabani & Company, Inc. · Full-time
Jan 2007 – Mar 2015 · 8 yrs 6 mos

Therefore, KSP is still under the Kabani's control. By this way, Kabani still can receive auditing fee by continuing supporting CGA's fraudulent scheme. Mean-time, PCAOB's sanction was partially bypassed and Kabani again "harmed the market" and "pose a continuing danger to the investing public". Therefore, Plaintiff has been seriously damaged by Auditor Defendants' fraudulent audit reports filed with all CGA's fabricated financial reports together.

70 Allegation 2 Auditor Defendant intentionally, knowingly, and recklessly supported GA and individual Defendants' Fraud Scheme.

71 The auditor's responsibility is to express an opinion on the financial statements.

The company's transactions and the related assets, liabilities, and original records are within the control of management. The auditor's knowledge is limited to that acquired through the audit. Thus, it is understandable that it is not assured for an auditor to find all the frauds in the financial statement.

72 However, in the case, CGA and Individual Defendants falsification of financial statements on such a large scale and at every financial element, If Auditor Defendants just reasonably followed the standard of the PCAOB, they should be able easily find the falsities.

73 Especially, several investors separately sent several emails to KSP between 2017 and 2019 to warn them the serious and obviously risk of fraud. Below is Plaintiff sent:

From: gang chen <petechen@comcast.net>

To: jaslyn.huynh@kspgrp.com

Date: September 4, 2018 at 10:16 AM

Subject: verifying the cash balance of CGA

Dear Ms. Huynh:

As I know you and your firm is the paid auditor of CGA, China Green Agriculture. I would like to verify one of the most critical data on their quarterly and annually financial filing to SEC. Because recent months the company stock kept falling and not only \$1.03 all time low. we do not understand why. the company kept filing the profit quarter by quarter, year

by year but stock price kept falling same time. The most obvious reason for the phenomena is the shareholder lost their trust, suspecting all the financial data are fake.

But I still trust their financial filing because they hired you as their auditor which is a USA firm registered with SEC and knowing helping a company making a fake data is a serious crime. However, facing the current situation, even I raise a little concern on possibility of all data are fake.

I am looking forward to your prompt response.

Gang Chen, over 3% shareholder of CGA

5493 Antigua Circle, Vero Beach, FL 32967

phone/fax: 610-628-1021, Cell: 610-247-7515

Email: petechen@comcast.net

74 In the above email, Plaintiff warned KSP “helping a company making a fake data is *a serious crime*” and specifically targeted “verifying the *cash balance*” as a subject. However, KSP just did not care. 2018 annual report, KSP audited and signed on Oct. 19, 2018, still show the cash and cash equivalent \$150,805, 639 which is highest in the relevant period. Below is the audit report on the annual report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of

China Green Agriculture, Inc. and its subsidiaries

We have audited the accompanying consolidated balance sheets of China Green Agriculture, Inc. and its subsidiaries (the “Company”) as of June 30, 2018 and 2017, and the related consolidated statements of income and comprehensive income (loss), stockholders’ equity, and cash flows for each of the years in the two-year period ended June 30, 2018. The Company’s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedules are free of material misstatement. An audit includes *examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements*. An audit also includes assessing the accounting principles used and significant estimates made by

management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of China Green Agriculture, Inc. and its subsidiaries as of June 30, 2018 and 2017 and the results of its operations and its cash flows for each of the years in the two-year period ended June 30, 2018 in conformity with accounting principles generally accepted in the United States of America.

/s/ KSP Group, INC.

CERTIFIED PUBLIC ACCOUNTANTS

Los Angeles, CA October 19, 2018

75 KSP earned \$370,000 audit fee for fiscal year 2018. However, did they reasonably perform the audit following the standard of PCAOB? At least, did they include "*examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements*"? As for K&C and Kabani, the permanent revoke had already implied their falsity. How about KSP? Did KSP learned from K&C and improved some? It is not. PCAOB issued a report on September 20, for Inspection of KSP Group, Inc.

Certain deficiencies identified were of such significance that it appeared to the Inspection team that the Firm, at the time it issued its audit report, had not obtained sufficient appropriate audit evidence to support its opinion that the financial statements were presented fairly, in all material respects, in conformity with the applicable financial reporting framework. In other words, in these audits, the auditor issued an opinion

Without satisfying its fundamental obligation to obtain reasonable assurance about whether the financial statements were free of material misstatement.

The fact that one or more deficiencies in an audit reach this level of significance does not necessarily indicate that the financial statements are materially misstated. It is often not possible for the inspection team, based only on the information available from the auditor, to reach a conclusion on those points.

Whether or not associated with a disclosed financial reporting misstatement, an auditor's failure to obtain the reasonable assurance that the auditor is required to obtain is a serious matter. It is

a failure to accomplish the essential purpose of the audit, and it means that, based on the audit work performed, the audit opinion should not have been issued.

The audit deficiencies that reached this level of significance are described below—

A.1. Issuer A

the Firm's failure to identify, or to address appropriately, a departure from generally accepted accounting principles ("GAAP") that appeared to the inspection team to be material, which related to the presentation of cash flows in the issuer's financial statements (AS2810.30-.31); and (2) the failure to perform sufficient procedures to test the allowance for doubtful accounts ("AFDA") (AS 2301.11; AS 2501.11).

76 Among others, PCAOP inspection team clearly pointed “the Firm, at the time it issued its audit report, had not obtained *sufficient appropriate audit evidence* to support its opinion”

77 It is exactly the problem of KSP’s audit. The fake data in the CGA’s reports so obvious that Plaintiff , as an outsider, just applied common sense could identify them. Auditor Defendants, as an official auditor, should access many internal records and management are obligated to provide real records, otherwise, they will be in jail by Chinese Criminal Law 162 (1) (2). Why did not Auditor Defendants examine the evidence sufficiently? The most suspicious and critical data is cash and cash reserves, which several investors specifically sent requested. Why Auditor Defendants just did not seriously check the bank statement? It is so easy and straight forward. Furthermore, the income tax data can be verified just simple check the tax authorities notice and the payment record to the authority. Did Au-

ditor Defendants verified? The revenue are materialized by shipping tonnage, Did Auditor Defendants check it trucks in-out records kept at Gate guard? Inventories are also can be materialized into cubic meter or cubic foot, you know the sizes of Gufeng factory why did not you just do the simple calculation of elementary students? Only one answer. That is Auditor Defendants are cooperating with CGA and individual Defendants' fraud and got rewarded by audit fee.

Audit Fees	2016	2017	2018	2019	2020
Kabani	370,00C				
KSP		280,00C	370,00C	340,00C	273,00C

SCIENTER ALLEGATIONS

As alleged herein, Plaintiff presents 4 allegations on CGA and Individual Defendants focused on their fraudulent revenue, inventories, income tax and cash and cash reserves which are strait forward . In fact, all the other more complicated data, like income, receivable, and allowance, are also fraudulently fabricated. All the financial reports to them are just like play dough in their hand, changing the shape whatever and whenever as need. For such a kind of fraudster mentality and actions, how to prove they are not scienter?

78 In addition, all the CGA's fraudulent reports were supported and confirmed by
the audit reports from Auditor Defendants for the relevant period. Some basic ev-
idence examinations such as bank statements, Transaction records, Taxes pay-

1 ment notices and taxes payment records or basic calculation inventory volume
2 and warehouse capacity, etc. are so straightforwardly simple. If Auditor Defend-
3 ant are not in Scienter and not intentionally, knowingly, and at least recklessly in
4 helping CGA's fraudulent financial reports, at least such simple but critical
5 fraudulent data would not included in the financial statement. More seriously
6 They even intentionally hid the true relation between the resigned and replaced
7 to continue their cooperation with CGA and individual defendants on the fraudu-
8 lent financial statement scheme. The conspiracy was not only challenging against
9 PCAOB, but also more seriously had been making CGA and individual Defend-
10 ants continuously hurting American investing public including Plaintiff. Auditor
11 defendants' scienter liability is also not deniable.

12 79 All the Defendants knew that the public documents and statements issued or dis-
13 seminated in the name of CGA and auditor K&C and KSP during the relevant pe-
14 riod were materially false and misleading; knew that such statements or docu-
15 ments would be issued or disseminated to the investing public; and knowingly
16 and substantially participated or acquiesced in the issuance or dissemination of
17 such statements or documents as primary violations of the federal securities laws.

18 80 As set forth all the Defendants, by virtue of their receipt of information reflecting
19 the true facts regarding CGA, their control over, receipt and/or modification of
20 CGA's allegedly materially misleading statements and omissions, and/or their po-
21 sitions with the Company and auditing firm which made them privy to confiden-

1 tial information concerning CGA, participated in the fraudulent scheme alleged
2 herein. The ongoing fraudulent scheme described herein could not have been per-
3 petrated over a substantial period of time, as has occurred, without the knowledge
4 and complicity of the personnel at the highest level of the Company and auditing
5 firm, including the Individual Defendants and auditor defendants.

6 **LOSS CAUSATION**

7 81 During the relevant period, as detailed herein, Defendants engaged in a scheme to
8 deceive the market and a course of conduct that artificially inflated the prices of
9 CGA's securities and operated as a fraud or deceit on relevant period purchasers
10 of CGA's securities by failing to disclose to investors that the Company's finan-
11 cial results were materially misleading and misrepresented material information.
12 When Defendants' misrepresentations and fraudulent conduct were disclosed and
13 became apparent to the market, the prices of CGA's securities fell. And the value
14 of Plaintiff holding fell with market price together. During the relevant period,
15 Plaintiff suffered realized economic loss of approximate \$1.25 million.

16 82 By failing to disclose the true state of the CGA's finances and accounting, inves-
17 tors were not aware of the true state of the Company's financial status. Therefore,
18 Plaintiff suffered seriously damages by the false financial statement

19 83 The first CGA financial statements Plaintiff ever read is CGA Annual report,
20 Form 10k, for fiscal year ended June 30 2016 filed 2016-10-17 and quarterly re-
21 port, Form 10-q, for the quarterly period ended September 30, 2016 filed 2016-

1 11-14. Therefore, time span of this action started from fiscal year 2016 and ended
2 at June 2020 when Plaintiff filed the original complaint.

3 84 According to the 2017 first quarterly report, CGA has cash and cash equivalents
4 \$108, 121,059, total asset \$412,443,256, total liability \$84,444,713; net sales
5 \$61,884,622, net income \$7,351,580. CGA has totaled 3137384 (37648605 12/1
6 split) outstanding shares, stock market price \$17.40 at that time. Therefore the
7 stock has price/book 0.14, price/earning 1.88, price/sale 0.2 and each share has
8 cash \$34. The stock seems so attractive to an ordinary private investor,
9 likePlaintiff.

10 85 Since then, Plaintiff has read total 12 of quarterly reports of 10Q and 3 of Annual
11 reports (2017, 2018, and 2019) of 10K filed by CGA. Most of reports with simi-
12 lar attractive financial data as their first financial statements Plaintiff first read.

13 86 For example, in the last annual report for fiscal year ended June 30, 2019, it stat-
14 ed: cash and cash equivalents \$72,259,804, total asset \$480,000,359, total liability
15 \$35,669,918; net sales \$294,320,803, net income \$11,590,395.

16 87 Another example, in the last quarter report for quarterly period ended March 31,
17 2020, it stated, cash and cash equivalents \$41,311,137, total asset \$395,274,720,
18 total liability \$ 79,682,492; net sales \$85,826,689, net loss \$50,222,309. Here
19 CGA suddenly reported a huge loss.

1 88 Basically, most of CGA's quarterly and annually are very attractive to me while
2 the stock price had kept falling. Therefore, Plaintiff became skeptical. To verify
3 the truth Plaintiff made two special trips to China.

4 89 Plaintiff started purchase of CGA stock from middle of December 2016, purely
5 attracted by CGA's quarterly and annually reports filed with SEC. Plaintiff's
6 holding volume grew rapidly from beginning zero, added to over \$1.5 million of
7 shares in middle of 2018 when Plaintiff was attending CGA annual meeting. Dur-
8 ing the annual meeting, Plaintiff harshly criticized Defendants on the issue that
9 having huge cash reserve but not distributing any dividend to shareholders; only
10 rewarding management themselves generously with huge bonus, telling Defend-
11 ants the company is not management's ATM machine for themselves. Defendants
12 showed me other 2 factories in Xi'an, then Plaintiff still believed Defendants fi-
13 nancial statements and their cover-up and rosy stories. Plaintiff was fooled by De-
14 fendants and even sent positive comments to all other CGA investors of my
15 communication group. Even though Plaintiff only saw total 2 trucks when he vis-
16 ited twice and viewing from outside during my first special trip to China. I was
17 fooled by Defendant Li's story about Gufeng is in maintenance in the time. So
18 Plaintiff still did not reduce the investment with CGA and keep the position level
19 even if when the stock price started dropping. But finally Plaintiff became suspi-
20 cious therefore went to China in second trip in February 2019 and visited Gufeng
21 again in March then found the truth. After Plaintiff confirmed that all CGA's fi-

1 nancial statement were false, Plaintiff gradually reduced the holding. After
2 CGA's last annual report came out October 15, 2019, Plaintiff decided to expedite
3 unloading CGA stock. Plaintiff only had about \$7500 with 3000 shares before
4 Plaintiff filed the action in June 2019. By trading CGA stock, Plaintiff suffered
5 damages over \$1.25 million as a result of the violations of the federal securities
6 laws alleged herein.

7

8 **COUNT I. FOR VIOLATIONS OF SECTION 10(B) OF THE**
9 **EXCHANGE ACT AND RULE 10B-5 AGAINST CGA AND ALL**
10 **INDIVIDUAL DEFENDANTS**

11 90 Plaintiff repeats and realleges each and every allegation contained above as if fully
12 set forth herein. During the relevant period, Defendants carried out a plan,
13 scheme, and course of conduct which was intended to and, throughout the relevant
14 Period, did: (i) deceive the investing public, including Plaintiff as alleged
15 herein; and (ii) cause Plaintiff to purchase CGA common stock at artificially inflated
16 prices. Defendants: (i) employed devices, schemes, and artifices to defraud;
17 (ii) made untrue statements of material fact and/or omitted to state material facts
18 necessary to make the statements not misleading; and (iii) engaged in acts, practices,
19 and a course of business which operated as a fraud and deceit upon the purchasers
20 of the Company's common stock in an effort to maintain artificially high

1 market prices for CGA common stock in violation of Section 10(b) of the Ex-
2 change Act and Rule 10b-5, promulgated thereunder. Defendants, individually
3 and in concert, directly and indirectly, by the use, means or instrumentalities of
4 interstate commerce and/or of the mails, engaged and participated in a continuous
5 course of conduct to conceal adverse material information about the Company's
6 financial well-being, operations, and prospects. During the relevant period, De-
7 fendants made the false statements specified above, which they knew or reckless-
8 ly disregarded to be false and misleading in that they contained misrepresenta-
9 tions and failed to disclose material facts necessary in order to make the state-
10 ments made, in light of the circumstances under which they were made, not mis-
11 leading. Defendants had actual knowledge of the misrepresentations and omis-
12 sions of material fact set forth herein, or recklessly disregarded the true facts that
13 were available to them. Defendants engaged in this misconduct to conceal CGA
14 true condition from the investing public and to support the artificially inflated
15 prices of the Company's common stock. Plaintiff has suffered damages in that, in
16 reliance on the integrity of the market, they paid artificially inflated prices for
17 CGA common stock. Plaintiff would not have purchased the Company's common
18 stock at the prices they paid, or at all, had they been aware that the market prices
19 for CGA's common stock had been artificially inflated by Defendants' fraudulent
20 course of conduct. As a direct and proximate result of Defendants' wrongful con-
21 duct, Plaintiff suffered damages in connection with their respective purchases of

1 the Company's common stock during the relevant Period. By virtue of the forego-
 2 ing, Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5,
 3 promulgated there under.

4 **COUNT II. FOR VIOLATIONS OF SECTION 20(A) OF THE**
 5 **EXCHANGE ACT AGAINST THE INDIVIDUAL DEFENDANTS**

6 91 Plaintiff repeats, and incorporates each and every allegation above as if fully set
 7 forth herein. As set forth herein, the Individual Defendants, by virtue of their re-
 8 ceipt of information reflecting the true facts regarding CGA, their control over,
 9 receipt and/or modification of CGA's allegedly materially misleading statements
 10 and omissions, and/or their positions with the Company which made them privy
 11 to confidential information concerning CGA, participated in the fraudulent
 12 scheme alleged herein. The ongoing fraudulent
 13 92 scheme described herein could not have been perpetrated over a substantial period
 14 of time, as has occurred, without the knowledge and complicity of the personnel
 15 at the highest level of the Company, including the Individual Defendants.
 16 93 During the relevant period, the Individual Defendants, as senior executive officers
 17 of the company were privy to confidential, proprietary and material adverse non-
 18 public information concerning CGA, its operations, finances, financial condition
 19 and present and future business prospects via access to internal corporate docu-
 20 ments, conversations and connections with other corporate officers and employ-

ees, attendance at management and/or board of directors meetings and committees thereof, and via reports and other information provided to them in connection therewith. Because of their possession of such information, the Individual the Individual Defendants are liable as direct participants in the wrongs complained of herein. In addition, the Individual Defendants, by reason of their status as senior executive officers and/or directors, were "controlling persons" within the meaning of §20(a) of the Exchange Act and had the power and influence to cause the Company to engage in the unlawful conduct complained of herein. Because of their positions of control, the Individual Defendants were able to and did, directly or indirectly, control the conduct of CGA's business.

94 The Individual Defendants, because of their positions with the Company, controlled and/or possessed the authority to control the contents of its reports, press releases and

95 presentations to securities analysts and, through such analysts, to the investing public. The Individual Defendants were provided with copies of the Company's reports and publicly disseminated documents alleged herein to be misleading, prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Thus, the Individual Defendants had the opportunity to commit the fraudulent acts alleged herein.

96 As senior executive officers and/or directors and as controlling persons of a publicly traded company whose securities were, and are, registered with the SEC pur-

1 suant to the Exchange Act, and were traded on the NYSE and governed by the
 2 federal securities laws, the Individual Defendants had a duty to promptly dissem-
 3 inate accurate and truthful information with respect to CGA's financial condition
 4 and performance, growth, operations, financial statements, business, products,
 5 markets, management, earnings, and present and future business prospects, to cor-
 6 rect any previously issued statements that had become materially misleading or
 7 untrue, so the market price of China Green's securities would be based on truthful
 8 and accurate information. The Individual Defendants' misrepresentations and
 9 omissions during the relevant period violated these specific requirements and ob-
 10 ligations. The Individual Defendants are liable as participants in a fraudulent
 11 scheme and course of business that operated as a fraud or deceit on purchasers of
 12 CGA's publicly traded securities by disseminating materially false and misleading
 13 statements and/or concealing material adverse facts.

14 **COUNT 3: FOR VIOLATION OF SEC. 10(A). OF**
 15 **THE EXCHANGE ACT AGAINST**
 16 **AUDITOR DEFENDANTS AND DAQING ZHU**

17 SEC. 10A (a), Each audit shall be performed in accordance with generally ac-
 18 cepted auditing standards by the Commission, which is PCAOB standards. But
 19 Auditor Defendants did not follow it, instead, knowingly and recklessly violated
 20 and ignored the standard s. Even they treated PCAOB's sanction and SEC's af-

1 firmation with contempt by creating a related company under their control still
2 continuing the auditing business.

3 97 Auditor Defendants did not follow PCAOB's procedures to provide reasonable
4 assurance of detecting illegal acts that would have a direct and material effect on
5 the determination of financial statement amounts, instead, intentionally certified
6 the fraudulent financial statement illegally fabricated with full of fake data.

7 98 Auditor Defendants not only violated the procedures to identify related party
8 transactions but also organized the related auditing activity. Predecessor of K&C
9 and Successor of KSP are both controlled by Kabani and without public knowing.

10 99 Auditor Defendants did not give an evaluation of whether there is substantial
11 doubt about the ability of the issuer to continue as a going concern during the first
12 part of ensuing fiscal year 2020. Only in the several months after their resigna-
13 tion, in the 2020 annual report, CGA issued a going concern notice certified by a
14 new auditor. The sign of going concern should already show up before their res-
15 ignation.

16 100 Defendant Daqing Zhu, According to Section 10(A) (m) (2), As a Chairman of
17 Audit Committee, Zhu shall, in its capacity, be directly responsible for the ap-
18 pointment and oversight of the work of any registered public accounting firm.
19 K&C had been with CGA for over 9 years. During K&C engaged period, CGA
20 filed many fraudulent financial statements with his auditor report to certify. As
21 Chairman of Audit Committee, Zhu should oversight their audit job closely and

1 made fully investigation on the auditor's qualification. K&C's revoke of auditor
2 registration was effective in 2017 however, several years before, K&C was al-
3 ready known publicly for their negative reputation. Why CGA still hired them,
4 based on Zhu's position as a director, He knew all the internal situation and busi-
5 ness status and knew clearly all the financial statements are fraudulent and mis-
6 leading. Therefore, Zhu knowingly ignored and supported Auditors cooperation
7 with other individual Defendants for the fraud scheme., If Zhu search K&C in in-
8 ternet for investigation, He should know it the truth clearly. Especially when
9 K&C resigned, how did Zhu choose K&C's related company as successor?
10 Therefore, Zhu should be responsible for knowingly or at least recklessly hire
11 K&C, KSP and not performing oversight on all their fraudulent auditor report.

13 PRAYER FOR RELIEF

14 101 WHEREFORE, Plaintiff prays for judgment as follows:

15 102 Awarding compensatory damages in favor of Plaintiff against all Defendants,
16 jointly and severally, for the damages of \$1.25 million realized as a result of De-
17 fendants' fraud;

18 103 Awarding punitive damages of \$500,000 or more comparable to the amount of
19 civil remedies administrative proceedings by law may charge considering de-
20 fendant committed Third Tier violation specified by SEC. 21B(b)(3) of Exchange
21 ACT.

1 104Awarding pre-judgment interest, as well as reasonable attorneys' fees and other
2 costs, as permitted by law; and

3 105Awarding such other and further relief as this Court may deem just and proper.

4
5 JURY DEMAND

6 Plaintiff demands a trial by jury.

7
8 Dated: January 18, 2021

Respectfully submitted,

9 Gang Chen

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gang chen

11 Vero Beach, FL 32967

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